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Insig AI Plc / EPIC: INSG / Market: AIM

19 December 2022

INSIG AI PLC
("INSG" or the "Company")

Unaudited Interim Results for the Six Months ended 30 September 2022

Insig AI plc (AIM:INSG), the data science and machine learning solutions company serving the asset management industry, is pleased to announce its unaudited interim results for the six months ended 30 September 2022 and to provide an update on the Company's progress post the half year end.

Highlights

- Loss for the period after income tax £2.8 million
- Operating loss before tax of £2.6 million after charging depreciation and amortisation of £1.4 million
- Cash and cash equivalents at period end of £0.15 million
- Positive advanced discussions to re-negotiate and extend existing Convertible Loan Note agreements.

Insig AI's Chief Executive, Colm McVeigh commented: "Our strong machine learning AI capability delivers high impact fintech data science solutions resulting in better investment outcomes and operational transformation for our asset managers customers. Despite an increasingly difficult macro-economic backdrop and with us taking a cautious approach, we anticipate growing revenues throughout 2023."

Chairman's statement

In September, when we published our full year results to 31 March, we set out how we had evolved and refined our technology offering and sales processes to be able to take advantage of the opportunities available to us in our addressable markets. As the asset management industry increasingly requires technology to deliver competitive differentiation and adapt to evolving standards, we are able to apply our advanced analytical tools, machine learning innovative data gathering and processing in ways that can benefit our target customer base, offering asset managers competitive advantage as well as efficiencies. We apply our deep domain expertise in ESG, fintech data science, machine learning and cloud data infrastructure so our customers can achieve sustainable investment decisions and high impact operational transformation through AI and data solutions.

Over the last year, the Company has invested heavily to build a repository of machine learning ESG company disclosures on more than 2,500 global businesses. Our database now encompasses all constituents of the S&P 500, the STOXX 600 and the FTSE 100/250/350 together with hundreds of non-listed corporates. The Company is confident that this repository can be utilised to deliver a long term revenue stream. Last month, we explained that having now secured this capability and capacity, we are able to flex our costs based on orders received.

In February, we announced a landmark agreement with CarVal Investors, L.P. ("CarVal") to develop and launch a new line of high yield ("HY") and investment grade ("IG") ESG scoring tools to be used by CarVal to optimise HY and/or IG portfolios based on ESG considerations. In May, these scoring tools were successfully delivered. Our share of fees are based on CarVal's assets under management ("AUM") raised in connection with these HY and/or IG focused investment pools. We anticipate that as CarVal secures mandates, our fees will increase commensurably and continue for several years.

Last month, we described the nascent nature of the ESG space. Whilst improved disclosures and an end to greenwashing will be both welcome and inevitable, timings remain uncertain. One of our frustrations is that the positive feedback we receive on our ESG scoring tool, which provides objective evidence of a company's ESG disclosures to market participants, asset managers, corporates and to regulators, does not translate into immediate revenues. When an end to greenwashing becomes mandatory, our ESG diagnostics should become a go-to solution. At present, the optimal route to market is through partnerships with large corporate consultancies. Whilst such sales cycles are inevitably lengthy, they are

able to deliver distribution on a broad and substantial scale.

Whilst in recent months, the recessionary narrative has taken hold, understandably the ESG agenda has slipped down the priorities of many businesses. However, it remains all too easy for an asset manager to label a fund "ESG compliant" but to do so, without a methodology that drills down to each element of ESG, thereby exposes the asset manager to a lack of evidence of compliance. This can expose not only a business but also its directors to immense reputational and financial damage. That is why increasing regulation is both necessary and inevitable.

Financial performance

For the six months ending 30 September 2022, we are reporting a total comprehensive loss from all activities of £2.8 million which includes depreciation and amortisation of £1.4 million, deferred tax of £0.2 million and a profit from the Group's non-core school sport coaching facility, Sport inSchools Limited ("SSL") of £0.02 million. The Directors are not recommending the payment of a dividend.

Pantheon Leisure Plc ("Pantheon")

Insig holds 85.87% of the issued share capital of Pantheon which in turn owns 100% of Sport in Schools Limited ("SSL"). Pantheon's results are consolidated into the Group accounts.

Sport in Schools Limited ("SSL")

Profit recognised in the period was £0.02 million compared with £0.1 million during the comparable period. The current period outturn reflects a significant marketing investment which is expected to translate into increased revenues from spring 2023.

Funding

In March 2022, we announced that the Board had decided to secure a long-term revenue agreement based on AUM at the expense of revenues that could have been recognised in the year under review. Whilst this had a detrimental effect on immediate cash flows, the quantum and longevity of receipts is expected to be considerably more than those foregone short term revenues.

In May, I provided the Company with an unsecured convertible loan facility of £1.0 million. The key terms were conversion at the higher of 35p per share and the prevailing share price at the time of conversion and a coupon of 5 per cent. per annum on funds drawn down. The first draw down took place in early May. In June, the Company announced that it had been approached by David Kyte, a long-term shareholder with an offer of funding of £0.5 million, on the same terms as my own facility. These loan facilities have been fully utilised and are due for repayment on 31 December 2022. As announced in the Company's year-end results in September, the Board continues to believe it would not be in the best interest of all shareholders to conduct an equity raise in the short term. As such, the Board is pleased to have recently received proposals from myself and David Kyte to extend the current convertible loan facilities expiring on 31 December 2022 by 12 months. Following the release of today's interim results, the Board is considering these proposals and is expected to make a further announcement very shortly.

For myself, the terms of the extension include:

- interest owed on the first convertible loan facility to be rolled up into the loan expiring on 31 December 2023,
- interest of 8 per cent. per annum from 5 per cent. per annum, which reflects the 2.25 per cent increase in UK base rates since May 2022 and the deterioration in debt capital markets and funding environment.
- a conversion price of 20p, which represents a 17.6 per cent. premium to the current share price of 17p, being the closing share price on 16 December 2022, and 1,666,667 warrants expiring on 31 December 2025 exercisable at a price of 30p, which represents a 76.5 per cent premium to the current share price.

For David Kyte's facility, the terms of extension include:

- interest owed on the first convertible loan facility to be rolled up into the loan expiring on 31 December 2023,
- interest of 8 per cent. per annum from 5 per cent. per annum, which reflects the 2.25 per cent increase in UK base rates since May 2022 and the deterioration in debt capital markets and funding environment.
- a conversion price of 18p, which represents a 5.9 per cent. premium to the current share price of 17p, being the closing share price on 16 December 2022, and 1,388,889 warrants expiring on 31 December 2025 exercisable at a price of 25p, which represents a 47.1 per cent premium to the current share price.

In September, I provided a loan facility of up to £0.75 million. The key terms were a conversion price of 35p per share and a coupon of 5 per cent. per annum on funds drawn down. This loan is secured against the share capital held by the Company in Westside Sports Limited, which has interests in Ultimate Player Limited, Pantheon Leisure plc, Sport in Schools Limited and the Elms Group Limited. In October, £0.36 million of this facility was drawn down. As of today, £0.39 million remains available for drawdown.

Last month, the Company announced that the Board believed that no further working capital would be required to support the operations of the business in the short and medium term, as the business is expected to become cash flow positive from Q2 2023. The Board remains of that view based on the combination of committed revenues, the sales pipeline and more recent prospects. The Board continues to closely monitor the conversions of these sales opportunities into revenue.

Prospects

Last month, we set out that we had prioritised and accelerated the timeline to expected profitability of the Group. This was underpinned by our expectations for the receipt of recurring revenues from sharing of management fees. Substantial investment over the last 18 months should result in payback with these revenues expected to commence next summer. Over subsequent quarters, these should grow substantially. This underpinning of revenues should position us to withstand weak investor sentiment in global markets. Market uncertainty, harsher fundraising conditions than in the recent past and recessionary fears mean that we are adopting a cautious approach. Against a backdrop of budget constraints, we are mindful of how such uncertainty can result in inertia. Nevertheless, we have strong evidence from progressive asset management clients that our offerings add substantial value, can generate alpha, provide improved access to financial data and reduce regulatory risk.

Richard Bernstein
Non-Executive Chairman
19 December 2022

For further information, please visit www.insq.ai or contact:

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months to 30 September 2022 Unaudited £	6 months to 30 September 2021 Unaudited £
	Notes	
Continuing operations		
Revenue	953,563	895,750
Cost of sales	(359,411)	(477,374)
Gross profit	594,152	418,376
Administration expenses	(3,224,761)	(2,419,044)
Other gains/(losses)	47,533	1,436,000
Other income	201	106,348
Operating loss	(2,582,875)	(458,320)
Finance income	-	3,892
Finance costs	(15,483)	(15,001)
Loss before exceptional item	(2,598,358)	(469,429)
Exceptional items - non - recurring costs	-	(374,765)
Loss before income tax	(2,598,358)	(844,194)
Deferred tax	(208,738)	-
Tax credits	-	194,133
Loss for the period after income tax	(2,807,096)	(650,061)
Total comprehensive loss attributable to owners of the Parent	(2,810,503)	(663,062)
Total comprehensive profit/(loss) attributable to non-controlling interests	3,407	13,001
Basic and diluted	5	(2.660)p (0.0074)p

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2022 Unaudited £	As at 31 March 2022 Audited £	As at 30 September 2021 Unaudited £
Non-Current Assets				
Property, plant and equipment		66,483	65,665	347,467
Right of Use Assets		33,406	38,545	-
Intangible assets	7	37,693,489	38,217,155	31,712,235
		37,793,378	38,321,365	32,059,702
Current Assets				
Trade and other receivables		226,774	289,819	1,594,580
Cash and cash equivalents		150,084	473,390	2,273,661
		376,858	763,209	3,868,241
Total Assets		38,170,236	39,084,574	35,927,943
Non-Current Liabilities				
Lease liabilities		24,930	29,641	295,748
Borrowings		-	-	195,038
Deferred tax liabilities		4,368,826	4,160,088	617,304
		4,393,756	4,189,729	1,108,090
Current Liabilities				
Trade and other payables		984,546	810,332	523,641
Lease liabilities		8,000	8,000	8,333
Borrowings		-	-	36,000
Convertible loans	8	1,514,517	-	-
		2,507,063	818,332	567,974
Total Liabilities		6,900,819	5,008,061	1,676,064
Net Assets		31,269,417	34,076,513	34,251,879
Capital and Reserves Attributable to Equity Holders of the Company				
Share capital		3,109,804	3,109,804	3,039,579
Share premium		39,077,403	39,077,403	35,154,043
Other reserves		325,583	325,583	975,117
Retained losses		(11,194,113)	(8,383,610)	(4,864,193)
Equity attributable to shareholders of the parent		31,318,677	34,129,180	34,304,546
Non-controlling interests		(49,260)	(52,667)	(52,667)
Total Equity		31,269,417	34,076,513	34,251,879

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Note	Share capital £	Share premium £	Other reserves £	Retained losses £	Total equity £	Non Controlling Interest £	Total equity £
Balance as at 1 April 2021	2,479,664	3,039,531	427,727	(4,201,131)	1,745,791	(65,668)	1,680,123
Loss for the period	-	-	-	(663,062)	(663,062)	13,001	(650,061)
Total comprehensive loss for the period	-	-	-	(663,062)	(663,062)	13,001	(650,061)
Issue of shares	559,915	32,571,612	-	-	33,131,527	-	33,131,527
Share issue costs	-	(434,900)	-	-	(434,900)	-	(434,900)
Merger reserves on acquisition of Insig Partners Ltd	-	(22,200)	671,733	-	649,533	-	649,533
Equity component of convertible loan notes	-	-	(124,343)	-	(124,343)	-	(124,343)
Total transactions with owners, recognised in equity	559,915	32,114,512	547,390	-	33,221,817	-	33,221,817
Balance as at 30 September 2021	3,039,579	35,154,043	975,117	(4,864,193)	34,304,546	(52,667)	34,251,879
Balance as at 1 April 2022	3,109,804	39,077,403	325,583	(8,383,610)	34,129,180	(52,667)	34,076,513
Loss for the period	-	-	-	(2,810,503)	(2,810,503)	3,407	(2,807,096)
Total comprehensive loss for the period	-	-	-	(2,810,503)	(2,810,503)	3,407	(2,807,096)
Balance as at 30 September 2022	3,109,804	39,077,403	325,583	(11,194,113)	31,318,677	(49,260)	31,269,417

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months to 30 September 2022	6 months to 30 September 2021
Notes	Unaudited £	Unaudited £
Cash flows from operating activities		
Loss before taxation	(2,810,503)	(844,194)
Adjustments for:		
Depreciation and amortisation	1,371,290	1,178,395
Increase in deferred tax provision	198,738	-
Minority interest	3,407	-
Finance income	-	(3,892)
Finance expense	15,458	15,001
Working capital on subsidiary acquisition	-	(410,015)
Increase in trade and other receivables	7,545	(105,230)
Increase/(decrease) in trade and other payables	239,714	(42,081)
Realised gain on share investment	-	(1,436,000)
Net cash used in operations	(974,351)	(1,648,016)
Cash flows from investing activities		
Purchase of property, plant and equipment	(263)	(6,456)
Development expenditure	7 (834,952)	(1,181,756)
Finance income	-	3,892
Net cash used in investing activities	(835,215)	(1,184,320)
Cash flows from financing activities		
Funds from share issues	-	6,145,491
Cash consideration to shareholders of the acquired company	-	(1,442,478)
Share issue costs paid	-	(434,901)
Finance expense	-	(9,836)
Repayment of leasing liabilities and bank borrowings	(13,740)	(87,232)
Convertible loan note	1,500,000	-
Net cash generated from financing activities	1,486,260	4,171,044
Net decrease in cash and cash equivalents	(323,306)	1,338,708
Cash and cash equivalents at beginning of period	473,390	934,953
Cash and cash equivalents at end of period	150,084	2,273,661

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. General Information

Insig AI plc is a data science and machine learning company listed on the AIM Market of the London Stock Exchange.

The Company is domiciled in the United Kingdom and incorporated and registered in England and Wales, with registration number 03882621. The Company's registered office is Suite 1, 15 Ingestre Place, London, W1F 0DU.

2. Basis of Preparation

The condensed consolidated interim financial statements have been prepared in accordance with the requirements of the AIM Rules for Companies. As permitted, the Company has chosen not to adopt IAS 34 "Interim Financial Statements" in preparing this interim financial information. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2022, which have been prepared in accordance with UK adopted international accounting standards.

The interim financial information set out above does not constitute statutory accounts within the meaning of the Companies Act 2006. It has been prepared on a going concern basis in accordance with the recognition and measurement criteria of UK adopted international accounting standards.

Statutory financial statements for the year ended 31 March 2022 were approved by the Board of Directors on 8 September 2022 and delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified with a material uncertainty in relation to the Company's ability to continue as a going concern. The condensed interim financial statements are unaudited and have not been reviewed by the Company's auditor.

Going concern

These financial statements have been prepared on the going concern basis. Given the Group's current cash position and its demonstrated ability to raise capital, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting preparing the condensed interim financial statements for the period ended 30 September 2022.

Notwithstanding the above, a material uncertainty exists that may cast significant doubt on the Groups ability to continue as a going concern and, therefore, that the Group may be unable to realise their assets or settle their liabilities in the ordinary course of business. As a result of their review, and despite the aforementioned material uncertainty, the Directors have confidence in the Groups forecasts and have a reasonable expectation that the Group will continue in operational existence for the going concern assessment period and have therefore used the going concern basis in preparing these consolidated financial statements.

The factors that were extant at 31 March 2022 are still relevant to this report and as such reference should be made to the going concern note and disclosures in the 2022 Annual Report and Financial Statements ("2022 Annual Report").

Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Company's medium term performance and the factors that mitigate those risks have not substantially changed from those set out in the Company's 2022 Annual Report and Financial Statements, a copy of which is available on the Company's website: www.insgai.com. The key financial risks are liquidity risk, credit risk, interest rate risk and fair value estimation.

Critical accounting estimates

The preparation of condensed interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period. Significant items subject to such estimates are set out in Note 2 of the Company's 2022 Annual Report and Financial Statements. The nature and amounts of such estimates have not changed significantly during the interim period.

3. Accounting Policies

Except as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed interim financial statements as were applied in the preparation of the Company's annual financial statements for the period ended 31 March 2022.

3.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group and Company

The International Accounting Standards Board (IASB) issued various amendments and revisions to International Financial Reporting Standards and IFRIC interpretations. The amendments and revisions were applicable for the period ended 31 March 2022 but did not result in any material changes to the financial statements of the Group or Company.

Of the other IFRS and IFRIC amendments, none are expected to have a material effect on future Group or Company Financial Statements.

(b) New standards, amendments and Interpretations in issue but not yet effective or not yet endorsed and not early adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the condensed interim financial statements are listed below. The Group intends to adopt these standards, if applicable when they become effective.

Standard	Impact on initial application	Effective date
IAS 8 (amendments)	Accounting estimates	1 January 2023

None are expected to have a material effect on the Group or Company Financial Statements

There are expected to have a material effect on the Group or Company financial statements.

4. Dividends

No dividend has been declared or paid by the Company during the six months ended 30 September 2022 (six months ended 30 September 2021: £nil).

5. Loss per Share

The calculation of loss per share is based on a retained loss of £2,810,503 for the six months ended 30 September 2022 (six months ended 30 September 2021: £663,062) and the weighted average number of shares in issue in the period ended 30 September 2022 of 105,675,645 (six months ended 30 September 2021: 89,182,000).

No diluted earnings per share is presented for the six months ended 30 September 2022 or six months ended 30 September 2021 as the effect on the exercise of share options would be to decrease the loss per share.

6. Business segment analysis

	Machine learning and Data services	Sport in Schools	Total
	£	£	£
Revenue	289,524	664,039	953,563
Costs of sales	(2,545)	(356,866)	(359,411)
Administrative expenses	(2,945,323)	(279,438)	(3,224,761)
Other gains/(losses)	58,570	(11,037)	47,533
Other income	-	201	201
Finance costs	(15,483)	-	(15,483)
Profit/(Loss) before tax per reportable segment	(2,615,257)	16,899	(2,598,358)

7. Intangible assets

The movement in capitalised intangible costs during the period was as follows:

Cost and Net Book Value	Goodwill	Technology assets	Customer relationships	Databases	Total
	£	£	£	£	£
Balance as at 1 April 2022	21,621,803	14,420,352	1,133,000	1,042,000	38,217,155
Additions	-	834,952	-	-	834,952
Amortisation	-	(1,233,273)	(47,202)	(78,143)	(1,358,618)
As at 30 September 2022	21,621,803	14,022,031	1,085,798	963,857	37,693,489

8. Convertible Loans

	30 September 2022	31 March 2022
	£	£
Not later than one year:		
Convertible loan note	1,500,000	-
Convertible loan note interest	14,517	-
Total	1,514,517	-

On the 4 May 2022, the Company entered into a formal agreement for a £1.0m convertible loan note to be provided by Richard Bernstein, Non-Executive Chairman of the Company.

On 17 June 2022, the Company entered into a convertible loan facility agreement with David Kyte, a long-term shareholder in the Company for £500,000.

9. Events after the balance sheet date

On 12 October 2022, £100,000 was drawn down on the convertible loan facility for a total of £750,000 as announced on 12 September 2022.

On 26 October 2022, £260,000 was drawn down on the convertible loan facility for a total of £750,000 as announced on 12 September 2022.

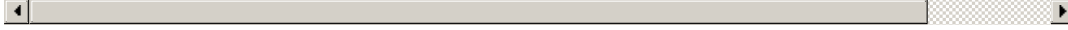
10. Approval of interim financial statements

The Condensed interim financial statements were approved by the Board of Directors on 18 December 2022.

11. Availability of this announcement

Copies of this announcement are available from Insig AI website at www.insg.ai.

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